

Maryland State Department of  
**EDUCATION**

*Schools for Success*

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August 2, 1996

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Office of the Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, N.W.  
Washington, D.C. 20554

Re: CC Docket No. 96-45

In the Matter of  
Federal State Joint Board on  
Universal Service

DOCKET FILE COPY ORIGINAL

Dear Sir or Madam:

The Commission on July 3, 1996, posed a set of additional questions in the above-referenced docket on universal service funding and invited public comment on those questions. Enclosed for filing are an original and four copies of Sailor's responses to questions 6, 9, 10, 11, 12, 13, 14, 15, 16, 18, 19, 22 and 24. Please contact me if there are any questions about this filing or if you would like additional information.

Thank you for your assistance.

Sincerely,

J. Maurice Travillian  
Assistant State Superintendent  
for Libraries

Division of Library Development  
And Services  
(410) 767-0435

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Before the  
Federal Communications Commission  
Washington, D.C. 20554

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In the Matter of )  
Federal State Joint Board on )  
Universal Service )

CC Docket No. 96-45

Supplemental Responses  
of  
Sailor  
A Maryland Library Project

The Common Carrier Bureau on July 3, 1996, requested responses to additional universal service questions. Pursuant to that request for additional information, Sailor hereby submits responses to questions 6, 9, 10, 11, 12, 13, 14, 15, 16, 18, 19, 22 and 24.

I. Preface & Summary

**Question 6:** Universal service support must apply to all available services. The library serves local needs and local needs demand local solutions. The library must have all possible tools ready to hand as the library devises those local solutions.

**Question 9:** Sailor makes two recommendations on promoting competition through the structure of universal service support. First, the USF should focus on the determination of affordable basic service rates using the lower of the best commercially available rate or total service long-run incremental cost methodology. Second, those service rates should be collected in a readily available document.

**Question 10:** The resale prohibition should ban the resale of services to the public for profit. The resale prohibition should not, however, ban modest cost based end user fees for some communications services. The regulations should also permit eligible libraries to delegate communications management and procurement to an central administrative agent such as Sailor.

**Question 11:** Sailor acknowledges that discounted service should be available only to or on behalf of the eligible entities identified by Section 254. Sailor also recognizes that allocation issues will arise from library participation in community information

networks and library partnership with non-eligible entities. Sailor asks that the Commission craft simple and straight forward accounting rules for the separation of eligible and ineligible network costs.

- Question 12:** Discounts should not be distributed to the states in the form of block grants. Universal service support should be routed directly to the eligible participating institutions for use at those institutions' discretion. Directing the discounts to the states in the form of block grants would lessen the libraries' ability to create local solutions and would impose an unnecessary administrative burden on USF distribution.
- Question 13:** Direct billing credits are preferable to block grants. Sailor maintains, however, that devices such as billing credits or block grants should be unnecessary for most eligible institutions. An affordable rate for a given service should be determined using the lower of the best commercially available rate or TSLRIC methodology and most eligible institutions should receive service under that rate.
- Question 14:** Sailor recommends that each eligible institution file a brief annual report, subject to audit, describing the use of USF support for the prior year.
- Question 15:** The person requesting the service should include a statement that the request is bona fide and on behalf of an eligible institution.
- Question 16:** Sailor continues to recommend that the base service prices be the lower of total service long run incremental cost or best commercially available rate. Sailor recommends that the providers certify that a given price is the lowest commercially available rate, much as a library would certify that its request for service is bona fide.
- Question 18:** Sailor is not aware of any discount programs available to libraries in Maryland.
- Question 19:** Additional discounts should be directed to high-cost and high-need areas. The USF should target explicit expenditures for services to such areas in addition to the implicit support available through affordable base rates. The existence of Sailor precludes toll calls for Internet access for the participating Maryland libraries.

**Question 22:** Separate programs for the three service areas should be created if the Commission decides to use block grants to the states as the primary method of universal service support distribution.

**Question 24:** Sailor offers its own practical experience. The Sailor statewide telecommunications network required \$1.1 million in capital investment and requires less than \$800,000 in annual operating expenses. Please refer to Sailor's initial comments for detailed information on the Sailor network and functionalities.

## II. Full Response

### Schools, Libraries, Health Care Providers

6. Should the services or functionalities eligible for discounts be specifically limited and identified, or should the discount apply to all available services?

Universal service support must apply to all available services. The library serves local needs. Local needs demand local solutions. The library must have all possible tools ready to hand as the library devises those local solutions.

ADSL and ATM, for example, are touted as state-of-the-art telecommunications technologies of the very near future. Wireless is a cost efficient option for local area networking of asbestos laden buildings. Dial-on-Demand ("DoD") bandwidth management of ISDN is an emerging technology. If all technologies are not supported by universal service, the local library problem solver may not use the best or most timely solution.

A limited set of supported services creates two adverse scenarios. In the first scenario, the library does not use a non-supported service due to cost considerations and instead turns to a second-best technology. In the second scenario, the library delays use of a non-supported technology until the Commission expands its set of supported services to include the initially non-supported service. Forcing a choice between second-best technology and regulatory delay does not advance the goals of universal service. The Commission's USF regulations should not put that choice to the libraries.

9. How can universal service support for schools, libraries, and health care providers be structured to promote competition?

Sailor makes two recommendations on promoting competition through the structure of universal service support. First, the USF should focus on the determination of affordable basic service rates using the lowest commercially available rate or total service long run incremental cost methodology. Second, Sailor strongly recommends the collection of those basic service rates into a readily available document. The focus on valid basic rates would preclude a provider from creating artificially inflated base prices and from using excess profits to subsidize nonregulated ventures. The availability of a list of basic service rates would alleviate the difficulty that Sailor and its member libraries encounter in determining the cost of a given service.

10. Should the resale prohibition in Section 254(h)(3) be construed to prohibit only the resale of services to the public for profit, and should it be construed so as to permit end user cost based fees for services? Would construction in this manner facilitate community networks and/or aggregation of purchasing power?

The resale prohibition should ban the resale of services to the public for profit. Library resale for profit of discounted a "raw" telecommunications service, such as a discounted T1 line, is not within the intent of the universal service fund legislation. The resale prohibition should not, however, ban modest cost based end user fees for some specialized functions.

Sailor itself does not charge any end user fees. Several of the Sailor participating libraries do provide low cost special

Internet accounts. The Enoch Pratt Free Library in Baltimore, for example, provides email only and Internet accounts. The Pratt Library charges \$30 per year for the email account. City residents pay \$60 per year for a combined email and text-only Internet account, and non-city residents pay \$90 per year for the same service. Users can access these accounts through any library system in the state. A user who lives in an area without non-toll access to a commercial ISP can thus obtain Internet services such as email within his or her local calling area. Basic Internet access is still free to all through Sailor - the special accounts permit a user to send and receive email, open telnet, ftp, bookmark favorite sites and use a small amount of memory.

The Pratt Library under the terms of its charter may not make a profit from any library services. The small fees charged by the Pratt reflect the strictly allocated portion of the Pratt's communications investment and expenses attributable to the paid accounts. These particular fees and other types of cost based end user fees should not be considered a forbidden resale of telecommunications services. These types of end user services are within the educational ambit of the library mission.

As Sailor stated in its initial comments, the regulations should permit eligible libraries to delegate communications management and procurement to an central administrative agency such as Sailor. Sailor, although not "a" library, is a cooperative library effort. Library assignment of procurement and management tasks to Sailor is not a "resale" of

communications capacity to Sailor. Construction of the resale ban to permit continued cooperative efforts would indeed facilitate aggregation of library purchasing power.

11. If the answer to the first question in number 10 is "yes," should the discounts be available only for the traffic or network usage attributable to the educational entities that qualify for the Section 254 discounts?

Sailor acknowledges that discounted service should be available only to or on behalf of the eligible entities identified by Section 254. Sailor also recognizes that allocation issues will arise from library participation in community information networks and library partnership with non-eligible entities. Sailor asks that the Commission craft simple and straight forward accounting rules for the separation of eligible and ineligible network costs.

The fact that many network costs are non-traffic sensitive complicates the division of eligible and ineligible network costs. Sailor suggests that the Commission rules allow alternative allocation means. In some situations a "traffic" usage measure may be the appropriate allocation method, whether traffic is measured by bit, byte or packet. In other situations the incremental cost of connecting a non-eligible institution to a network will be a more accurate and simpler measure of the additional resources required for connection of the non-eligible institution to the network.



12. Should discounts be directed to the states in the form of block grants?

No. As Sailor stated above in its response to Question 6, libraries are essentially local institutions that serve local needs. Universal service support should be routed directly to the eligible participating institutions for use at those institutions' discretion. Directing the discounts to the states in the form of block grants would lessen the libraries' ability to create local solutions and would impose an unnecessary administrative burden on USF distribution.

13. Should discounts for schools, libraries, and health care providers take the form of direct billing credits for telecommunications services provided to eligible institutions?

Direct billing credits are preferable to block grants. Sailor maintains, however, that devices such as billing credits or block grants should be unnecessary for most eligible institutions. An affordable rate for a given service should be determined using the combination of best available commercially available rate or TSLRIC methodology. Most eligible institutions would receive service under that rate. Billing credits or some other reimbursement mechanism would only be necessary for the high-cost and high-need areas and institutions.

14. If the discounts are disbursed as block grants to states or as direct billing credits for schools, libraries, and health care providers, what, if any, measures should be implemented to assure that the funds allocated for discounts are used for their intended purposes?

Sailor recommends that each eligible institution file a

brief annual report, subject to audit, describing the use of USF support for the prior year. The report would verify use of USF support and provide the Commission with valuable information about universal service progress. Sailor also recommends that the Commission create both a standard format for the report and a "plain English" guide for the report preparer. A guide and a standard format would aid the report preparer, who is unlikely to be an attorney or have ready access to legal advice, in preparation of the report.

15. What is the least administratively burdensome requirement that could be used to ensure that requests for supported telecommunications services are bona fide requests within the intent of section 254(h)?

The person requesting the service should include a statement that the request is bona fide and on behalf of an eligible institution.

16. What should be the base service prices to which discounts for schools and libraries are applied: (a) total service long-run incremental cost; (b) short-run incremental costs; (c) best commercially-available rate; (d) tariffed rate; (e) rate established through a competitively-bid contract in which schools and libraries participate; (f) lowest of some group of the above; or (g) some other benchmark? How could the best commercially-available rate be ascertained, in light of the fact that many such rates may be established pursuant to confidential contractual arrangements?

Sailor continues to recommend that the base service prices be the lower of total service long run incremental cost or best commercially available rate. Sailor recommends that the providers certify that a given price is the lowest commercially available rate, much as a library would certify that its request

for service is bona fide. Sailor's recommendation about the creation of a list of universal service rates does not conflict with Sailor's recommendation that the lowest commercially available rate should help determine the rate for a supported service. Sailor is not asking for information about the parties to a confidential contractual arrangement - it is asking for information about the lowest available rate for a given service.

18. What states have established discount programs for telecommunications services provided to schools, libraries, and health care providers? Describe the programs, including the measurable outcomes and the associated costs.

Sailor is not aware of any discount programs available to libraries in Maryland.

19. Should an additional discount be given to schools and libraries located in rural, insular, high-cost and economically disadvantaged areas? What percentage of telecommunications services (e.g., Internet services) used by schools and libraries in such areas are or require toll calls?

Additional discounts should be directed to high-cost and high-need areas. The most isolated and most economically disadvantaged areas are precisely the areas that most need support in order to benefit from information and telecommunications resources. The USF should target explicit expenditures for services to such areas in addition to the implicit support available through affordable base rates.

Sailor precludes toll calls for Internet access for the participating Maryland libraries. Sailor has a point of presence within a local telephone call of each participating system. The

libraries, no matter how isolated, do not have a toll barrier to Internet service.

22. Should separate funding mechanisms be established for schools and libraries and for rural health care providers?

Yes, in the event that the Commission decides to distribute universal service support primarily through a block grant formula. A unified block grant to a state to address the needs of all three service groups would create counterproductive competition for block grant support between the groups at the state level. If the Commission decides not to pursue a block grant distribution of universal service support the need for separate programs for these three service groups would be much less.

24. Are there other cost estimates available that can serve as the basis for establishing a funding estimate for the discount provisions applicable to schools and libraries and to rural health care providers?

Sailor can offer its own practical experience. As Sailor noted in its initial comments, creation of the Sailor state-wide telecommunications network required \$1.1 million in capital investment and operating costs are less than \$800,000 per year. These figures do not include local library communications investment and operating expenses.

### III. Conclusion

Sailor respectfully asks that the Commission consider the recommendations made by Sailor and incorporate those recommendations into the final regulations.

Respectfully Submitted,

*J. Maurice Travillian / RKS*

J. Maurice Travillian  
Assistant State Superintendent  
for Libraries

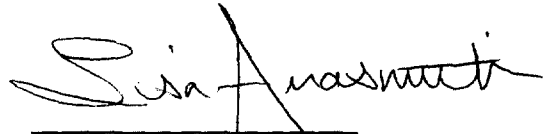
Division of Library Development  
and Services  
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(410) 767-0435

August 2, 1996

CERTIFICATE OF SERVICE

I certify that the attached document was sent on this date via first class mail to all persons on the service list contained in the public notice released July 3, 1996 in CC Docket No. 96-45.

A handwritten signature in cursive script, appearing to read "Lisa L. Arrasmith". The signature is written in dark ink and is positioned above a horizontal line.

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August 2, 1996